

**MERCHISTON CASTLE SCHOOL  
(COMPANY LIMITED BY GUARANTEE)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 July 2022**

**Company Registration Number: SC014265  
Scottish Charity Number: SC016580**

## **MERCHISTON CASTLE SCHOOL**

### **REFERENCE AND ADMINISTRATIVE INFORMATION**

**Year ended 31 July 2022**

|   |  |
|---|--|
| Chairman                                | G T G Baird HND FRAgS  |
| Vice Chairman                           | D C M Moore BSc PhD  |
| Governors                               | R W Nutton MB BS MD FRCS (Eng) FRCS<br>R S Elliott<br>D C M Moore BSc PhD<br>P M Abrahams MA<br>A Fraser LLB DIPLP NP WS<br>Doctor A Connan MBBS MRCGP FSRH MIPM<br>G C M Hinton BA PGCE<br>N F Mitchell BA CTA<br>N M Judd<br>GRT Baird (resigned 31/12/21) |
| Merchistonian Club President            | G Thain  |
| Headmaster                              | J Anderson BA  |
| Secretary / Bursar                      | P C Axon BEng  |
| Auditors                                | Geoghegans, Chartered Accountants  |
| Solicitors                              | Anderson Strathern LLP<br>Gillespie Macandrew  |
| Bankers                                 | Lloyds Banking Group   |
| Insurance Broker                        | Marsh Brokers Limited  |
| Investment Manager                      | Rathbone Investment Management   |
| Registered Office and Principal Address | 294 Colinton Road, Edinburgh, EH13 0PU   |
| Website:                                | <a href="http://www.merchiston.co.uk">www.merchiston.co.uk</a>   |
| Scottish Charity Number                 | SC016580   |

## **MERCHISTON CASTLE SCHOOL**

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## **MERCHISTON CASTLE SCHOOL**

### **ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) For the year ended 31 July 2022**

The Governors, who are trustees for the purposes of charity law and directors for the purposes of company law, present their Annual Report on the affairs of the Company together with the financial statements and auditor's report for the year ended 31 July 2022. This report is also the Strategic Report and the Directors' Report for purposes of the Companies Act.

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

##### **Governing Document**

Merchiston Castle School is a Company limited by guarantee, governed by its Articles of Association dated 1926 as subsequently amended.

There are 191 (2021 – 191) members who are obliged to guarantee payment of £1 in the event that the Company was to go into liquidation. A list of members is available from the registered office.

##### **Board of Governors**

The Board consists of a maximum of eighteen Governors, of whom at least one third must be former pupils of the School. Eight current Governors have had sons at the School. The present Governors are as listed and have held office during the whole of the period from 1 August 2021 to the date of this Report, unless otherwise stated.

##### **Governors' Responsibilities Statement**

The Governors (who are trustees for the purposes of charity law and directors of the Charitable Company for the purposes of company law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Governors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the group and the Charitable Company and of the incoming resources and application of resources, including the income and expenditure, of the group and the Charitable Company for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in operation.

The Governors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group and the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## MERCHISTON CASTLE SCHOOL

### ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) For the year ended 31 July 2022

#### **Governors' Responsibilities Statement (continued)**

The Governors have overall responsibility for the preparation of the financial statements but have delegated this function to the Finance and General Purposes Committee in conjunction with the Secretary/Bursar.

The Governors have also delegated to the Secretary/Bursar the responsibility to keep adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Charitable Company and a responsibility for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Statement of Disclosure to the Auditors**

The Governors make this statement of disclosure to the auditors:

- so far as the Governors are aware, there is no relevant audit information of which the Charitable Company's auditor is unaware; and
- the Governors have taken all the steps which they ought to have taken as Governors in order to make themselves aware of any relevant audit information and to establish that the Charitable Company's auditor is aware of that information.

#### **Recruitment, Appointment, Induction and Training of Governors**

Governors are identified and chosen by the Nominations Committee and are proposed to the full Governors' meeting. Candidates are selected based on eligibility, personal competence and professional skills which can benefit the Company, as well as local availability. New Governors are inducted into the workings of the Company at briefing sessions held with the Chairman, the Headmaster and the Secretary/Bursar. These sessions cover educational and business matters and include a familiarisation tour of the School's facilities. Governors are issued with extensive background material together with the Independent Schools Council's Guidelines for Governors and the Guidelines for Governors issued by the Association of Governing Bodies of Independent Schools.

Governors are encouraged to attend training sessions organised for the education sector. During the year, Governors attended meetings organised by the Scottish Council of Independent Schools and the Association of Governing Bodies of Independent Schools.

All Governors receive Safeguarding training and updates on at least an annual basis from the School's Child Protection Co-Ordinator. The Prevent Duty in England, Scotland and Wales came into force on 1 July 2015. This covers Independent and Grant-aided Schools, with a duty "to prevent people from being drawn into terrorism" falling on governance of individual schools.

#### **Organisational Management**

The full Board of Governors meets three times during the year. Certain aspects of the Company's business are delegated to the following sub-committees on which the Headmaster, Company Secretary/Bursar and other senior staff sit as appropriate:

- **Finance & General Purposes** (meets four times during the year) – NF Mitchell (Chairman), GTG Baird, RS Elliot, NM Judd.
- **Education** (meets three times during the year) – KM Greig (Chairman), Doctor A Connan, GCM Hinton.
- **Wellbeing & Compliance** – IB McCarlie (Chairman), Doctor A Connan, GCM Hinton.
- **Health & Safety** – RS Elliot.
- **Nominations** – GTG Baird.

## **MERCHISTON CASTLE SCHOOL**

### **ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued)** **For the year ended 31 July 2022**

#### **Organisational Management (continued)**

The Headmaster is appointed by the Governors to manage the day to day operations of the School. In order to facilitate effective operations, the Headmaster and the Secretary/Bursar have delegated authority within terms approved by the Governors for operational matters including educational, finance and employment matters.

#### **Group Structure and Relationships**

The School has a trading company (Merchiston Enterprises Limited) which is a company limited by guarantee. Merchiston Enterprises Limited uses facilities owned by the School for letting and promotional events, and runs the School Shop to the benefit of the Charity.

The School also has a trading company (Merchiston International Limited) which is a company limited by shares. Merchiston International Limited services international franchises to promote the Merchiston Castle School ethos and unique educational experience.

Merchiston benefits from the generosity of a thriving network of friends and former pupils whose close interest and support we greatly appreciate and gladly acknowledge.

#### **Risk Management**

A regular review of the risks facing the Company and of the controls in place to mitigate these risks is undertaken by the appropriate sub-committees and the full Board.

The key controls used by the Company include:

- formal agendas and minutes of Board and committee meetings;
- detailed terms of reference for committees;
- comprehensive strategic planning, budgeting and management accounting;
- established organisational structure and lines of reporting;
- formal written policies; and
- clear authorisation and approval levels.

Through the risk management processes established for the Company, the Governors are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed.

## **OBJECTS, AIMS, OBJECTIVES AND PRINCIPAL ACTIVITIES**

#### **Charitable Objects**

The Charity's principal object, as set out in its Articles of Association, is the advancement of education.

#### **Objectives, Aims and Intended Impact**

Our Mission is: *"to provide a caring community for your son, which treats him as an individual, unearths and tends his talents, encourages him to pursue excellence in all he does, and enables him to flourish."*

## **MERCHISTON CASTLE SCHOOL**

### **ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued)** **For the year ended 31 July 2022**

#### **Objectives, Aims and Intended Impact (continued)**

*We aim to ensure that your son:*

- *Acquires the confidence and leadership skills to succeed in a dynamic and global world, and to strive for the highest standards;*
- *Balances modesty and confidence;*
- *Becomes an enthusiastic and curious learner achieving excellence in all he does;*
- *Develops compassion, respect for others and integrity;*
- *Discovers and embraces all the opportunities on offer to develop his talents;*
- *Enjoys a sense of happiness and fulfilment;*
- *Learns tolerance and responsibility;*
- *Understands the needs of others within and beyond our community."*

Our mission is to set the standard for an education that is tailored to meet the needs of every individual that readies them to be balanced, adaptable and imaginative citizens, who will seize the opportunities to make their unique impact on the world.

We seek to ensure, therefore, that each pupil who comes to Merchiston realises his full potential, learns new skills and leaves as a courteous, confident, employable and well-rounded individual, with a secure foundation for the journey of life ahead. In this respect, the School fully endorses the key focus of the Scottish Government policy document "A Curriculum for Excellence" in promoting and developing the following key capacities in young people in helping them to become:

- successful learners;
- confident individuals;
- responsible citizens; and
- effective contributors to society.

#### **Strategic Objectives for the Year**

The Strategic Objectives agreed in June 2019 continued to inform the School Development Plan. The key themes were as follows:

- Grow the pupil roll;
- Maintain excellence in the classroom and beyond;
- Secure the future of Merchiston Juniors in a declining market;
- Enhance the VI Form experience;
- Improve and enhance the School environment and facilities;
- Develop and maintain links with key stakeholders and community partners;

We continued to monitor academic standards against external public examinations and independent value-added criteria. The external examinations picture was largely back to normal, with some revisions to grade distribution put in place by the examination boards. The grade distribution tweaks were in recognition of the challenging context in which learning and teaching has taken place over the last two years, and both pupils and staff performed admirably as we return to a greater degree of normality in this regard.

The principal financial objective is to produce an annual surplus which is adequate to meet the future needs of the School in terms of investment and maintenance of the campus. The budget surplus is calculated following careful consideration, and seeks to treat both our fee-paying parents and staff fairly.

## **MERCHISTON CASTLE SCHOOL**

### **ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued)** **For the year ended 31 July 2022**

#### **Strategies to Achieve the Year's Objectives**

Ongoing academic achievement is a continual process and is the result of:

- regular review of the academic programme and the performance of staff and pupils within this framework, with a view to offering the most appropriate range of subjects at all levels in the School;
- the commitment of appropriate resources to academic departments and co-curricular activities;
- the continued development of effective pedagogy, driven by an increasing focus on ensuring that Professional Learning for teachers is focused on positive impact for students.

The School Improvement Plan (updated September 2021-22) is an important tool used to audit the School's performance and priorities. The SIP reflects on feedback from the previous academic year and sets out the Merchiston development themes for the current academic year, which were:

- Timetable and curriculum structure development to support quality learning and teaching;
- Staff are supported and challenged to develop practice, with clear links to national standards and guidance;
- What might a student toolkit for learning look like?
- Rights Respecting School Award: focusing on Sustainability, Wellbeing and Diversity and attainment of the Silver Award;
- Strategic Planning: implementing the School Development and Post COVID recovery plans, focusing on wellbeing, excellence and growth.
- Capital Projects - Commencement of the Boarding House Refurbishment Plan
- Future Development – Initiation of plans to grow the school from the roots, with the foundation of a Forest Nursery and Junior School, a new and unique co-educational offering for Edinburgh, due to open in August 2024.

#### **Principal Activities Employed in Pursuit of these Objectives**

The School continues to provide a well-rounded education for pupils, with a high level of achievement both academically and beyond the classroom. Academic rigour and curiosity was maintained, and we are delighted that our students continue to thrive after the challenges of the last couple of years. A strong focus on values was also maintained to ensure that boys leave Merchiston as happy and grounded individuals, not only having experienced the highest level of personal academic success, but also with a strong sense of self belief combined with respect and empathy for others, having learnt what it means to have true integrity and character.

Co-curricular activity and engagement with other schools has an important role to play in helping to provide a broad education and in developing the minds of young people. These opportunities are now back to pre-pandemic levels, and participation has been very positive.

## **MERCHISTON CASTLE SCHOOL**

### **ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued)**

**For the year ended 31 July 2022**

#### **Policy on Means-Tested Assistance and Access**

Merchiston Castle School offers financial assistance by means of a Bursary Fund designed to enable any child to have access to a Merchiston education, irrespective of financial circumstances. All Bursary awards are means-tested and require a financial statement from parents. A range of factors is considered in making the awards, and as a result, the number and size of Bursaries can vary considerably. Bursary awards may be up to 100% fee remission. Bursary awards are intended to facilitate access both for new pupils and also to assist existing pupils where there has been a significant change in financial circumstance which threatens the pupil's continued education at Merchiston.

Full details are published on the School's website:

*[www.merchiston.co.uk/admissions/financial-support](http://www.merchiston.co.uk/admissions/financial-support)*

## **ACHIEVEMENTS AND PERFORMANCE**

### **Care and welfare of pupils**

The Pupil Support Leadership Team (PSLT) comprises the Deputy Head Wellbeing (Child Protection Co-ordinator), Assistant Head Pupil Support (Deputy Child Protection Co-ordinator), Chaplain, School Counsellor and Senior Charge Nurse and meets weekly to discuss all aspects of pupil wellbeing. All PSLT members also meet regularly with House Parents, both collectively and individually, to ensure parity of provision across the School.

Around every pupil there is a House Parent, Deputy House Parent / Assistant House Parent, Tutor and a team of Prefects, Resident Staff and Resident Tutors whose roles are to safeguard each pupil's welfare whilst at School.

There is regular contact between the PSLT and the two nominated Child Protection Liaison Governors, ensuring consistent scrutiny of processes and appropriate challenge.

The Medical Centre is staffed by a well-qualified and dedicated team of 4 nurses which provides first-class care for pupils' physical and mental health needs. A visiting physiotherapist and twice-weekly GP surgeries complete the medical provision.

There is a fully qualified School Counsellor, who offers individual support sessions to pupils of all ages as relevant.

All staff undertake regular Child Protection training relevant to their role and receive termly Child Protection updates from the Child Protection Co-ordinator and Deputy Child Protection Co-ordinator.

Merchiston also runs a detailed Personal, Social and Health Education (PSHE) programme appropriate to each year group within the curriculum.

The School maintains a positive and productive relationship with the Care Inspectorate and Education Scotland and has on-going engagement with our link inspector, in addition to local Police and statutory bodies such as the Scottish Social Services Council.

Feedback from pupils is a crucial part of the School's wellbeing provision, and Pupil Voice committees and annual surveys are the principal mechanisms for managing this.

We are a Rights Respecting School, accredited to Silver level and working towards Gold, with the principles of the UN Convention on the Rights of the Child (UNCRC) firmly embedded in our practice.

## **MERCHISTON CASTLE SCHOOL**

### **ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) For the year ended 31 July 2022**

#### **Care and welfare of pupils (continued)**

In line with Merchiston's policy to engage fully with our Duty of Candour responsibilities, an annual report is available on the School website. In the year 01 April 2021 – 31 March 2022, there were no incidents involving the Duty of Candour.

#### **Operational Performance of the School**

The academic year ended with 381 pupils (229 boarders and 152 day pupils), which, given the recent global crises, is reflective of the continuing high reputation of the School and the considerable efforts of staff involved in recruitment and retention of pupils.

We were delighted to have a full year of face to face teaching, and all aspects of school life operated as they would have done pre-pandemic. There were times when staffing was challenging due to Covid-related absence, but this dropped away across the year and staff were very supportive in covering classes as required. We do not feel that this has had any adverse impact on student learning or experience.

External examinations ran for the first time since 2019, and the outcomes were positive and hard earned. The A\*-C grade pass-rate for A Level examinations was 87%, and an impressive 75% of grades were A\*, A and B grades. 3 A's at A Level equates to 144 UCAS points; Merchiston's average per student this year sat at 146 points. 92% of pupils gained grades which enabled them to accept the offers at their first or second choice of university. 46% of successful applicants in 2022 gained places at UK Russell Group Universities, Bath, and St Andrews. No students gained entry to Oxford or Cambridge this year, but those students who did apply to those institutions gained places at other excellent universities.

The 9-4 grade pass-rate for GCSE examinations was 97%, of which 43% of grades were at 9/8, and 66% of grades were at 9/8/7.

The school continues to focus on adding value to the education of our students and, although this has been more challenging to measure in the pandemic context, this is something which we will be able to measure more fully as we return to a sense of normality.

To greater enhance our offering in the VI Form, a BTEC qualification in Entrepreneurship and Enterprise was introduced to the School in September 2021.

Each year, boys in the Lower Sixth Form have the opportunity to undertake a Cecil Stagg Society independent research project on a subject of their choosing. This has resulted in the production of some truly excellent pieces of research, and two projects this year were awarded a Headmaster's Distinction.

## **MERCHISTON CASTLE SCHOOL**

### **ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) For the year ended 31 July 2022**

#### **Operational Performance of the School (continued)**

Drama has come back to life following the pandemic and new productions are planned.

The Chapel Choir, Close Harmony Group, Orchestra, Jazz Band and Wind, String and Brass Ensembles continue to rehearse and perform regularly and we have seen a full calendar of both small- and large-scale concerts. The Pipe Band, under new leadership, is increasingly active and have a number of upcoming competitions and events.

External academic competitions have started to happen again more routinely, and we have had success in UK Maths competitions and online science Olympiads. Design based competitions are thriving, and we have taken part in several: we expect to see this particular area grow in future.

School sport returned to normal levels of competition and participation, and this was fantastic to observe: there is no doubt that such participation and competition plays a large part in what we seek to achieve as a community. Sporting excellence was recorded in many areas, most notably in Rugby where the 1<sup>st</sup> XV won the Under 18 National Schools' Cup competition. There was also national success at individual and team levels in Fives, Golf and Tennis.

Drama and Community work opportunities were more limited, but there are plans in place for these to take off in 2022/23.

#### **Fundraising Performance**

A total of £4,743 was raised for the Bursary Fund, which continued to raise funds for financial assistance. In addition, £780 was raised for the Sports & Leisure Appeal, to assist with extending and improving the leisure facilities available to the pupils. We wish to thank those whose contributions have enabled a number of pupils to attend Merchiston and helped us improve the School environment.

#### **Investment Performance**

During the year, the investment portfolio decreased in value by 5.06%, which compares to a decrease of 3.79% by the Balanced Portfolio Index operated by WMA (Wealth Management Association).

Our trading subsidiaries achieved the following financial results in the year: Merchiston Enterprises Limited achieved a surplus on ordinary activities of £22,284 (2021 - £22,747), which was used to donate £22,000 (2021 - £22,000) to the School; Merchiston International Limited reported a surplus on ordinary activities of £152,467 (2021 - £144,110), which was used to donate £152,000 (2021 - £85,000) to the school.

## **PUBLIC BENEFIT**

### **The Curriculum and Co-curricular Activities**

We had 13 markers/examiners/moderators/paper-setters for the Assessment and Qualifications Alliance (AQA); Edexcel; Scottish Qualifications Authority (SQA); Oxford, Cambridge and RSA Examinations (OCR); and the International Baccalaureate.

Our Mandarin specialist works with SQA as Principal Assessor, Deputy Principal Verifier and Visiting Assessor for Higher and Advanced Higher Chinese courses; she is also an Associate Tutor with the Edinburgh University PGDE programme and Governor at the Alba Cathy Chinese School in Edinburgh.

**MERCHISTON CASTLE SCHOOL****ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued)**  
**For the year ended 31 July 2022****Means Tested Assistance and Access**

Merchiston Castle School is not a wealthy school in terms of endowments provided by previous generations of Merchistonians. However, it is able to offer financial assistance by means of a Bursary Fund designed to enable any child to have access to a Merchiston education, irrespective of their financial circumstances. All Bursary awards are means-tested and require a financial statement from parents. A range of factors is considered in making the awards, and as a result, the number and size of Bursaries can vary considerably. Bursary awards may be up to 100% fee remission. Bursary awards are intended to facilitate access both for new pupils and also to assist existing pupils where there has been a significant change in financial circumstance which threatens the pupil's continued education at Merchiston.

Full details are published on the School's website:

[www.merchiston.co.uk/admissions/financial-support](http://www.merchiston.co.uk/admissions/financial-support)

During the year, 108 pupils (2021 – 133 pupils) or 28.3% (2021 – 34.9%) of the School roll received a Bursary or other fee remission, which includes 1 pupil who received support from the Royal National Children's SpringBoard Foundation. 3 pupils are in receipt of an Education Maintenance Allowance (EMA).

The value of means-tested Bursaries awarded in academic year 2021-22 amounted to £686.4k, which is 6.0% of gross fee income. Other forms of non-means-tested assistance were also awarded during the academic year, including sibling and staff discounts. In total these awards amounted to £293.8k (2.6% of gross fee income).

**Pupil numbers**

The average number of pupils in the School for the year was 381.

|               | <b>Boarding</b> | <b>Day</b> | <b>TOTAL</b> |
|---------------|-----------------|------------|--------------|
| <b>Junior</b> | 22              | 66         | <b>88</b>    |
| <b>Senior</b> | 207             | 86         | <b>293</b>   |
| <b>TOTAL</b>  | <b>229</b>      | <b>152</b> | <b>381</b>   |

**Fees**

The following termly fees were charged during 2021/22:

|                               | <b>Boarding</b> | <b>Day</b> |
|-------------------------------|-----------------|------------|
| <b>J4, J5, and First Form</b> | £7,360          | £5,110     |
| <b>Second and Third Form</b>  | £8,560          | £5,770     |
| <b>Senior</b>                 | £11,960         | £8,680     |

## **MERCHISTON CASTLE SCHOOL**

### **ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) For the year ended 31 July 2022**

#### **Charitable Giving and Fundraising**

Over £3,290 was raised by the School for charity. The full listing of Merchiston's charitable donations is published on the website. Donations were made to the following charities:

Forth 1 Cash for Kids, Edinburgh Children's Hospital Charity, Cyrenians, The Royal British Legion, and Poppy Scotland.

#### **Merchiston Community Service (formerly known as Koinonia)**

The Community Service programme has returned to full strength, with 44 LVI pupils taking on a weekly commitment to 3 local primary schools: Braidburn, Longstone and Sighthill, and working with a total of around 600 children. Work has also continued with the homeless charity, Cyrenians.

#### **Use of facilities by the local community and school-age children**

3 local groups/charities have made use of our facilities free-of-charge for meetings, talks, rehearsals and concerts: Colinton Community Choir, The Colinton Conservation Trust, and The Friends of the Pentlands.

### **FINANCIAL REVIEW AND RESULTS FOR THE YEAR**

The Group's operating surplus excluding donations and legacies for the year was £697,387 (2021 – deficit of £490,318). The Group's overall surplus for the year was £697,416 (2021 – £212,350). At the year end, there were net current assets of £5,984,578 (2021 – £4,748,655) and net liquid funds of £7,370,537 (2021 – £5,850,977). The Group has sufficient working capital by way of cash to ensure that the School can continue to operate effectively.

Funds continue to be made available for the refurbishment of other areas of the School, with capital expenditure during the year being £248,902 (2021 – £125,483). The commercial letting of the School's facilities produced a surplus of £168,613 (2021 – £39,169) which will be reinvested in School facilities.

#### **Investment Policy and Objectives**

Our investment portfolio is managed to achieve a balance, focused on overall return and long-term growth in both income and capital. The principal activity of Merchiston Enterprises Limited continues to be to promote the interests and welfare of the School. The principal activity of Merchiston International Limited is to promote the Merchiston Castle School ethos and unique educational experience abroad.

#### **Reserves Policy**

The Group's total reserves stood at £18,691,911 (2021 - £17,994,495) at the year end, which are held for the furtherance of the Group's charitable aims. The Group's policies are to strengthen its reserves through strict budgeting and financial processes and that the need for day to day working capital is met by these reserves.

At the same time, the Board is committed to reinvest operational surpluses into School improvements to ensure our buildings, facilities and educational needs meet the requirements of a first-rate independent boys' boarding school.

The level of the Group's reserves will continue to be closely monitored.

## MERCHISTON CASTLE SCHOOL

### ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) For the year ended 31 July 2022

#### FUTURE PLANS

The continued emphasis of future plans is on the delivery of **excellence** and **sustainability** across all areas of the organisation. As predicted the pandemic has continued to test financial sustainability and will continue to do so in the emergent post COVID-19 world. A broad reaching review of all aspects of the business, has identified several key areas for development in the year ahead

These key areas are as follows:

- **Educational excellence** – redesign of the School working week to allow the successful delivery of the very best in academic, co-curricular and character education;
- **Sustainability** – development of the School's education offering to encourage a much broader reach in terms of pupil recruitment and retention;
- **Boarding facilities** – continuation of boarding house refurbishment and restructure as part of a proposed rolling programme;
- **Future Growth** – Foundation of a co-educational Forest Nursery and Junior School on the existing School grounds, due to open in August 2024.

Approved by the Board of Governors and signed on behalf of the Board by:

DocuSigned by:  
  
982A47484BD64B8...  
PC Axon, Secretary

21 March 2023

## **MERCHISTON CASTLE SCHOOL**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND GOVERNORS OF MERCHISTON CASTLE SCHOOL**

#### **Opinion**

We have audited the financial statements of Merchiston Castle School (the “parent charitable company”) and its subsidiaries (together forming “the group”) for the year ended 31 July 2022 which comprise the group Income and Expenditure Account, the group and parent charitable company Statement of Financial Activities, the group and parent charitable company Balance Sheet, the group and parent charitable company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their presentation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion, the financial statements:

- give a true and fair view of the state of the group’s and parent charitable company’s affairs as at 31 July 2022 and of the group and parent charitable company’s incoming resources and application of resources, including the group and parent charitable company’s income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Governors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Governors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor’s report thereon. The Governors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **MERCHISTON CASTLE SCHOOL**

### **INDEPENDENT AUDITOR'S REPORT (Continued) TO THE MEMBERS AND GOVERNORS OF MERCHISTON CASTLE SCHOOL**

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Annual Report has been prepared in accordance with legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Annual Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Governors' report; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of the Governors**

As explained more fully in the Governors' responsibilities statement, the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governors are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

## **MERCHISTON CASTLE SCHOOL**

### **INDEPENDENT AUDITOR'S REPORT (Continued) TO THE MEMBERS AND GOVERNORS OF MERCHISTON CASTLE SCHOOL**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures to respond to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we consider the following:

- the nature of the industry, control environment and business performance of the charity;
- the results of our enquires with management and Governors about their own identification and assessment of the risks of irregularities; and
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we consider the opportunities and incentives that may exist within the charity for fraud. In common with all audits under ISAs (UK), we perform specific procedures to respond to the risk of management override and inappropriate income recognition.

We also obtain an understanding of the legal and regulatory environment in which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements and those which may be fundamental to the charity's ability to operate. The key laws and regulations we considered in this context included the Statement of Recommended Practice: Accounting for Charities FRS 102 (2019), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**MERCHISTON CASTLE SCHOOL**

**INDEPENDENT AUDITOR'S REPORT (Continued)  
TO THE MEMBERS AND GOVERNORS OF MERCHISTON CASTLE SCHOOL**

**Use of our report**

This report is made exclusively to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's Governors, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the company's members and its Governors those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, the company's members as a body and its Governors as a body, for our audit work, for this report, or for the opinions we have formed.



**Iain Binnie**  
**Senior Statutory Auditor**  
*For and on behalf of Geoghegans, Statutory Auditor*

**21 March 2023**

*6 St Colme Street, Edinburgh, EH3 6AD*  
*Geoghegans is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.*

**MERCHISTON CASTLE SCHOOL****GROUP INCOME AND EXPENDITURE ACCOUNT****For the year ended 31 July 2022**

|  | Notes | 2022<br>£             | 2021<br>£             |
|--|-------|-----------------------|-----------------------|
| <b>Income</b>  |       |                       |                       |
| School fees  | 2     | 10,410,800            | 9,140,432             |
| Donations and legacies                               | 2     | 37,199                | 497,980               |
| Investment income                                    | 2     | 19,603                | 24,924                |
| Rental and other income                              | 2     | <u>682,395</u>        | <u>386,027</u>        |
| Total income   |       | <u>11,149,997</u>     | <u>10,049,363</u>     |
| <b>Expenditure</b>                                   |       |                       |                       |
| Staff costs  | 4     | 5,744,118             | 6,025,901             |
| Other external charges                               | 6     | 4,667,188             | 4,012,463             |
| Interest and charges                                 | 7     | <u>4,105</u>          | <u>3,337</u>          |
| Total expenditure                                    | 9     | <u>10,415,411</u>     | <u>10,041,701</u>     |
| Operating surplus for the year                       |       | 734,586               | 7,662                 |
| Realised and unrealised (loss) / gain on investments | 10    | <u>(37,170)</u>       | <u>204,688</u>        |
| <b>Retained surplus for the year</b>                 |       | <u><u>697,416</u></u> | <u><u>212,350</u></u> |

**MERCHISTON CASTLE SCHOOL****GROUP BALANCE SHEET****As at 31 July 2022**

|  | Notes | 2022<br>£                | 2021<br>£                |
|--|-------|--------------------------|--------------------------|
| <b>Fixed Assets</b>  |       |                          |                          |
| Tangible assets  | 11    | 12,761,531               | 13,274,265               |
| Investments  | 12    | 665,427                  | 700,928                  |
|  |       | <u>13,426,958</u>        | <u>13,975,193</u>        |
| <b>Current Assets</b>  |       |                          |                          |
| Stock  | 14    | 123,478                  | 127,354                  |
| Debtors  | 15    | 473,173                  | 352,839                  |
| Cash at bank and in hand                                       |       | 7,370,537                | 5,850,977                |
|  |       | <u>7,967,188</u>         | <u>6,331,170</u>         |
| <b>Creditors: Amounts falling due within one year</b>          | 16    | <u>(1,982,610)</u>       | <u>(1,582,515)</u>       |
| <b>Net Current Assets</b>                                      |       | <u>5,984,578</u>         | <u>4,748,655</u>         |
| <b>Total Assets less Current Liabilities</b>                   |       | 19,411,536               | 18,723,848               |
| <b>Creditors: Amounts falling due after more than one year</b> | 17    | <u>(719,625)</u>         | <u>(729,353)</u>         |
| <b>Net Assets</b>  |       | <u><u>18,691,911</u></u> | <u><u>17,994,495</u></u> |
| <b>Reserves</b>  |       |                          |                          |
| Unrestricted Funds   | 18    | 17,431,112               | 16,603,341               |
| Revaluation Reserve  | 18    | 302,082                  | 339,252                  |
| Total Unrestricted Funds                                       |       | <u>17,733,194</u>        | <u>16,942,593</u>        |
| Restricted Funds   | 18    | <u>958,717</u>           | <u>1,051,902</u>         |
|  |       | <u><u>18,691,911</u></u> | <u><u>17,994,495</u></u> |

These financial statements were approved by the Governors and authorised for issue on 21 March 2023.

DocuSigned by:

*Gareth Baird*

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**G T G Baird**

Chairman

DocuSigned by:

*Neil Mitchell*

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**N F Mitchell**

Governor

**Company Registration Number: SC014265**

**MERCHISTON CASTLE SCHOOL****CHARITABLE COMPANY BALANCE SHEET****As at 31 July 2022**

|  | Notes | 2022<br>£          | 2021<br>£          |
|--|-------|--------------------|--------------------|
| <b>Fixed Assets</b>  |       |                    |                    |
| Tangible assets  | 11    | 12,850,099         | 13,362,833         |
| Investments  | 12    | <u>665,428</u>     | <u>700,929</u>     |
|  |       | <u>13,515,527</u>  | <u>14,063,762</u>  |
| <b>Current Assets</b>  |       |                    |                    |
| Stock  | 14    | 33,256             | 25,754             |
| Debtors  | 15    | 1,074,286          | 681,185            |
| Cash at bank and in hand                                       |       | <u>6,806,428</u>   | <u>5,577,885</u>   |
|  |       | 7,913,970          | 6,284,824          |
| <b>Creditors:</b> Amounts falling due within one year          | 16    | <u>(1,964,710)</u> | <u>(1,570,879)</u> |
| <b>Net Current Assets</b>                                      |       | <u>5,949,260</u>   | <u>4,713,945</u>   |
| <b>Total Assets less Current Liabilities</b>                   |       | 19,464,787         | 18,777,707         |
| <b>Creditors:</b> Amounts falling due after more than one year | 17    | <u>(719,625)</u>   | <u>(729,353)</u>   |
| <b>Net Assets</b>  |       | <u>18,745,162</u>  | <u>18,048,354</u>  |
|  |       | £                  | £                  |
| <b>Reserves</b>  |       |                    |                    |
| Unrestricted Funds   | 18    | 17,484,363         | 16,657,200         |
| Revaluation Reserve  | 18    | 302,082            | 339,252            |
| Total Unrestricted Funds                                       |       | <u>17,786,445</u>  | <u>16,996,452</u>  |
| Restricted Funds   | 18    | <u>958,717</u>     | <u>1,051,902</u>   |
|  |       | <u>18,745,162</u>  | <u>18,048,354</u>  |

These financial statements were approved by the Governors and authorised for issue on 21 March 2023.

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*Gareth Baird*

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DocuSigned by:

*Neil Mitchell*

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**G T G Baird**

Chairman

**N F Mitchell**

Governor

**Company Registration Number: SC014265**

**MERCHISTON CASTLE SCHOOL****GROUP STATEMENT OF FINANCIAL ACTIVITIES****For the year ended 31 July 2022**

|  | Notes | Unrestricted<br>Funds<br>£ | Restricted<br>Funds<br>£ | Total<br>Funds<br>£ | 2021<br>£         |
|--|-------|----------------------------|--------------------------|---------------------|-------------------|
| <b>Income and endowments from:</b>             |       |                            |                          |                     |                   |
| Donations, grants and legacies                 | 2     | 31,288                     | 5,911                    | 37,199              | 497,980           |
| Charitable activities                          | 2     | 10,803,333                 | -                        | 10,803,333          | 9,247,090         |
| Other trading activities                       | 2     | 289,862                    | -                        | 289,862             | 279,369           |
| Investments                                    | 2     | 19,603                     | -                        | 19,603              | 24,924            |
| <b>Total incoming resources</b>                | 2     | <u>11,144,086</u>          | <u>5,911</u>             | <u>11,149,997</u>   | <u>10,049,363</u> |
| <b>Expenditure on:</b>                         |       |                            |                          |                     |                   |
| Raising funds                                  | 9     | 115,717                    | -                        | 115,717             | 217,793           |
| Charitable activities                          | 9     | 10,295,551                 | 4,143                    | 10,299,694          | 9,823,908         |
| <b>Total resources expended</b>                | 9     | <u>10,411,268</u>          | <u>4,143</u>             | <u>10,415,411</u>   | <u>10,041,701</u> |
| <b>Net income before gains and losses</b>      |       | 732,818                    | 1,768                    | 734,586             | 7,662             |
| Net (loss) / gain on investments               | 10    | <u>(37,170)</u>            | <u>-</u>                 | <u>(37,170)</u>     | <u>204,688</u>    |
| <b>Net incoming resources before transfers</b> |       | <u>695,648</u>             | <u>1,768</u>             | <u>697,416</u>      | <u>212,350</u>    |
| <b>Transfers between funds</b>                 | 18    | <u>94,953</u>              | <u>(94,953)</u>          | <u>-</u>            | <u>-</u>          |
| <b>Net movement in funds</b>                   |       | 790,601                    | (93,185)                 | 697,416             | 212,350           |
| <b>Reconciliation of funds:</b>                |       |                            |                          |                     |                   |
| Fund balances at 1 August 2021                 |       | <u>16,942,593</u>          | <u>1,051,902</u>         | <u>17,994,495</u>   | <u>17,782,145</u> |
| Fund balances at 31 July 2022                  |       | <u>17,733,194</u>          | <u>958,717</u>           | <u>18,691,911</u>   | <u>17,994,495</u> |

The group Statement of Financial Activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing operations.

**MERCHISTON CASTLE SCHOOL****CHARITY STATEMENT OF FINANCIAL ACTIVITIES****For the year ended 31 July 2022**

|   | Notes | Unrestricted<br>Funds<br>£ | Restricted<br>Funds<br>£ | Total<br>Funds<br>£ | 2021<br>£         |
|---|-------|----------------------------|--------------------------|---------------------|-------------------|
| <b>Income and endowments from:</b>                        |       |                            |                          |                     |                   |
| Donations, grants and legacies                            | 2     | 31,288                     | 5,911                    | 37,199              | 493,784           |
| Charitable activities                                     | 2     | 10,803,433                 | -                        | 10,803,433          | 9,247,190         |
| Investments   | 2     | 193,577                    | -                        | 193,577             | 131,912           |
| <b>Total incoming resources</b>                           | 2     | <u>11,028,298</u>          | <u>5,911</u>             | <u>11,034,209</u>   | <u>9,872,886</u>  |
| <b>Expenditure on:</b>                                    |       |                            |                          |                     |                   |
| Raising funds   | 9     | 537                        | -                        | 537                 | 100,990           |
| Charitable activities                                     | 9     | 10,295,551                 | 4,143                    | 10,299,694          | 9,823,908         |
| <b>Total resources expended</b>                           | 9     | <u>10,296,088</u>          | <u>4,143</u>             | <u>10,300,231</u>   | <u>9,924,898</u>  |
| <b>Net income / (expenditure) before gains and losses</b> |       | 732,210                    | 1,768                    | 733,978             | (52,012)          |
| Net (loss) / gain on investments                          | 10    | <u>(37,170)</u>            | <u>-</u>                 | <u>(37,170)</u>     | <u>204,688</u>    |
| <b>Net incoming resources before transfers</b>            |       | <u>695,040</u>             | <u>1,768</u>             | <u>696,808</u>      | <u>152,676</u>    |
| <b>Transfers between funds</b>                            | 18    | <u>94,953</u>              | <u>(94,953)</u>          | <u>-</u>            | <u>-</u>          |
| <b>Net movement in funds</b>                              |       | 789,993                    | (93,185)                 | 696,808             | 152,676           |
| <b>Reconciliation of funds:</b>                           |       |                            |                          |                     |                   |
| Fund balances at 1 August 2021                            |       | <u>16,996,452</u>          | <u>1,051,902</u>         | <u>18,048,354</u>   | <u>17,895,678</u> |
| Fund balances at 31 July 2022                             |       | <u>17,786,445</u>          | <u>958,717</u>           | <u>18,745,162</u>   | <u>18,048,354</u> |

The charity Statement of Financial Activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing operations.

**MERCHISTON CASTLE SCHOOL****RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES****For the year ended 31 July 2022**

|   | Group<br>2022<br>£ | Group<br>2021<br>£ | Charity<br>2022<br>£ | Charity<br>2021<br>£ |
|---|--------------------|--------------------|----------------------|----------------------|
| <b>Net movement in funds for the year<br/>(as per the SOFA)</b> | 697,416            | 212,350            | 696,808              | 152,676              |
| <b>Adjustments for:</b>   |                    |                    |                      |                      |
| Loss / (gain) on investments                                    | 38,792             | (204,688)          | 38,792               | (204,688)            |
| Investment income   | (19,603)           | (24,924)           | (193,577)            | (131,912)            |
| Gain on disposal of fixed assets                                | (10,412)           | -                  | (10,412)             | -                    |
| Depreciation  | 739,438            | 818,334            | 739,438              | 818,334              |
| Decrease / (increase) in stock                                  | 3,876              | (15,114)           | (7,502)              | (4,584)              |
| (Increase) / decrease in debtors                                | (120,334)          | 61,458             | (393,101)            | 11,765               |
| Increase in creditors due within one year                       | 400,095            | 183,765            | 393,831              | 183,263              |
| Decrease in creditors due after one year                        | (9,728)            | (597,748)          | (9,728)              | (597,748)            |
| <b>Net cash inflow from operating activities</b>                | <u>1,719,540</u>   | <u>433,433</u>     | <u>1,254,549</u>     | <u>227,106</u>       |

**STATEMENT OF CASH FLOWS AND CONSOLIDATED CASH FLOWS****For the year ended 31 July 2022**

|  | Group<br>2022<br>£ | Group<br>2021<br>£ | Charity<br>2022<br>£ | Charity<br>2021<br>£ |
|--|--------------------|--------------------|----------------------|----------------------|
| <b>Cash flows from operating activities:</b>           |                    |                    |                      |                      |
| Net cash inflow from operating activities              | <u>1,719,540</u>   | <u>433,433</u>     | <u>1,254,549</u>     | <u>227,106</u>       |
| <b>Cash flows from investing activities:</b>           |                    |                    |                      |                      |
| Investment income                                      | 19,603             | 24,924             | 193,577              | 131,912              |
| Payments to acquire tangible fixed assets              | (248,902)          | (125,483)          | (248,902)            | (125,483)            |
| Receipts from sale of assets                           | 32,610             | -                  | 32,610               | -                    |
| Receipts from sale of investments                      | 59,023             | 83,314             | 59,023               | 83,314               |
| Payments to acquire investments                        | (62,314)           | (99,210)           | (62,314)             | (99,210)             |
| <b>Net cash flow used in investing activities</b>      | <u>(199,980)</u>   | <u>(116,455)</u>   | <u>(26,006)</u>      | <u>(9,467)</u>       |
| <b>Change in cash and cash equivalents in the year</b> | 1,519,560          | 316,978            | 1,228,543            | 217,639              |
| Cash and cash equivalents at the beginning of the year | <u>5,850,977</u>   | <u>5,533,999</u>   | <u>5,577,885</u>     | <u>5,360,246</u>     |
| Cash and cash equivalents at the end of the year       | <u>7,370,537</u>   | <u>5,850,977</u>   | <u>6,806,428</u>     | <u>5,577,885</u>     |

## MERCHISTON CASTLE SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

#### 1 Accounting Policies

##### *Company information*

Merchiston Castle School is a private company limited by guarantee incorporated in Scotland. The registered office address is 294 Colinton Road, Colinton, Edinburgh, EH13 0PU.

##### *Basis of financial statements preparation*

The financial statements are prepared under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with applicable accounting standards, the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Statement of Recommended Practice on Accounting and Reporting by Charities (the Charities SORP (FRS 102)).

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The principal accounting policies adopted are set out below.

##### *Going concern*

At the time of approving the financial statements, the Governors are of the opinion that the group has adequate funds to continue in operational existence for the foreseeable future. Thus the Governors continue to adopt the going concern basis of accounting in preparing the financial statements.

##### *Group financial statements*

These financial statements consolidate the results of Merchiston Castle School with Merchiston Enterprises Limited and Merchiston International Limited on a line by line basis. No income and expenditure account is presented for the company as permitted by section 408 of the Companies Act 2006.

##### *Incoming resources*

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Donations, grants, legacies and similar incoming resources are included in full in the Statement of Financial Activities when received unless they relate specifically to another accounting period.
- Incoming resources from activities for generating funds are accounted for when earned. This includes income from the School's trade which includes the rental and hire of the School buildings and facilities.
- Investment income is included when receivable and is generated from dividends and interest.
- Incoming resources from charitable activities are accounted for when earned and include income generated from school fees and other operating activity income. These are included net of bursaries and scholarships granted by the School.
- Other income is recognised when receivable and includes the rental and hire of the School buildings and facilities for educational purposes and income from the School Shop.

**MERCHISTON CASTLE SCHOOL****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 July 2022****1 Accounting Policies (continued)*****Resources expended***

Expenditure is recognised on an accruals basis when a liability is incurred and it is reported as part of the expenditure to which it relates. The charitable company is not registered for VAT and accordingly expenditure is shown gross of irrecoverable VAT. The following specific policies are applied to particular categories of expenditure:

- Expenditure on charitable activities comprises those costs incurred by the charity in the delivery of the charitable activities carried out which meet the objectives of the charity. Expenditure on charitable activities includes governance costs which comprise the costs of running the charity, including strategic planning for its future development, also external audit, any legal advice for the School Governors and all the costs of complying with constitutional and statutory requirements, such as the costs of Board and Committee meetings and of preparing statutory financial statements and satisfying public accountability.
- Costs of raising funds include the costs relating to the renting of buildings and facilities and all other direct costs associated to fundraising activities.

Costs are allocated and apportioned between activities based on the nature of the cost incurred.

***Stocks***

Stocks are valued at the lower of cost and net realisable value. Cost is defined as the purchase cost of materials. Net realisable value is the amount which it is anticipated would be realised in the normal course of trade after making due allowance for discounts and selling expenses.

***Fixed assets and depreciation***

Fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Expenditure below £3,000 is not capitalised unless part of a larger project whilst expenditure above this amount will be assessed for capitalisation in line with the school's capitalisation policy.

Depreciation is calculated at the following rates so as to write off the assets over their estimated useful lives.

|                                     |                                    |
|-------------------------------------|------------------------------------|
| Land                                | Nil                                |
| Assets under construction           | Nil                                |
| Freehold land and buildings         | 2% - 10% on a straight line basis  |
| Property improvements               | 5% - 10% on a straight line basis  |
| Furniture and equipment             | 10% - 25% on a straight line basis |
| Plant, machinery and motor vehicles | 10% - 20% on a straight line basis |

***Investments***

Investments are included at market value at the year end. Net investment gains and losses for the year are shown in the income and expenditure account and statement of financial activities.

***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term liquid investments.

**MERCHISTON CASTLE SCHOOL****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 July 2022****1 Accounting Policies (continued)*****Judgements and key sources of estimation uncertainty***

In the application of the group's accounting policies, the Governors' are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

***Financial instruments***

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charities balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

***Financial assets***

Debtors with no stated interest rate and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income and expenditure account.

***Financial liabilities***

Creditors with no stated interest rate and payable within one year are recorded at transaction price.

All interest bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable. After initial recognition they are measured at amortised cost.

***Leasing and hire purchase commitments***

Rentals paid under operating leases are charged to the income and expenditure account as they are incurred.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase agreements are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under the leases and hire purchase agreements are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the income and expenditure account over the periods of the lease and hire purchase agreements and represent a constant proportion of the balance of the capital repayments outstanding.

## MERCHISTON CASTLE SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 July 2022

#### 1 Accounting Policies (continued)

##### *Employee Benefits*

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### *Pension Scheme*

The charitable company contributes to the Scottish Teachers' Pension Scheme, which is a defined benefit scheme and is an unfunded, contributory and voluntary membership scheme. In addition, a defined contribution scheme is in operation for non-teaching staff. Contributions to both schemes are charged when they become payable.

##### *Fund Accounting*

Unrestricted funds are available for use at the discretion of the members in furtherance of the general objectives of the charity.

Restricted funds are subjected to restrictions on their expenditure imposed by the donor or through the terms of an appeal.



**MERCHISTON CASTLE SCHOOL****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 July 2022****2 Income (continued)**

Included within unrestricted donation and grant income is a government grant of £nil (2021: £356,375) relating to the Coronavirus Job Retentions Scheme (CJRS).

**3 Income from the Connected Undertaking's Trading Activities**

Merchiston Enterprises Limited is a company limited by guarantee which promotes the interests and welfare of Merchiston Castle School. Its trading results for the year, as extracted from the audited financial statements for the year ended 31 July 2022, are summarised below:

|   | 2022<br>£            | 2021<br>£            |
|---|----------------------|----------------------|
| Turnover                                  | 139,085              | 135,564              |
| Government grant – CJRS                   | -                    | 4,166                |
| Cost of sales and administrative expenses | <u>(116,801)</u>     | <u>(116,983)</u>     |
| Net profit before tax                     | 22,284               | 22,747               |
| Taxation                                  | <u>(54)</u>          | <u>(61)</u>          |
| Surplus after tax                         | <u><u>22,230</u></u> | <u><u>22,686</u></u> |

Merchiston International Limited is a company limited by shares which promotes the Merchiston Castle School ethos and unique educational experience abroad. Its trading results for the year, as extracted from the audited financial statements for the year ended 31 July 2022, are summarised below:

|   | 2022<br>£             | 2021<br>£             |
|---|-----------------------|-----------------------|
| Turnover                                  | 154,524               | 146,669               |
| Government grant – CJRS                   | -                     | -                     |
| Bank interest                             | 26                    | 12                    |
| Cost of sales and administrative expenses | <u>(2,083)</u>        | <u>(2,571)</u>        |
| Net profit / (loss) before tax            | 152,467               | 144,110               |
| Taxation                                  | <u>(89)</u>           | <u>(122)</u>          |
| Surplus after tax                         | <u><u>152,378</u></u> | <u><u>143,988</u></u> |

**MERCHISTON CASTLE SCHOOL****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 July 2022**

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| <b>4 Employee Information</b> | 2022             | 2021             |
|                               | £                | £                |
| Staff costs comprise:         |                  |                  |
| Wages and salaries            | 4,524,645        | 4,795,057        |
| Social security costs         | 482,656          | 465,395          |
| Pension and other costs       | 736,817          | 765,449          |
|                               | <u>5,744,118</u> | <u>6,025,901</u> |

Included in the above values are termination and redundancy costs amounting to £nil (2021 - £135,966).

The average monthly number of persons employed by the group during the year was:

|                       |            |            |
|-----------------------|------------|------------|
|                       | 2022       | 2021       |
|                       | No.        | No.        |
| Teaching and support  | 76         | 78         |
| Catering and domestic | 36         | 38         |
| Administration        | 28         | 27         |
|                       | <u>140</u> | <u>143</u> |

The number of employees whose salaries were above £60,000 for the year were:

|                               |   |      |  |      |
|-------------------------------|---|------|--|------|
|                               | Salaries including taxable<br>benefits. |      | Salaries including taxable<br>benefits, termination and<br>redundancy costs. |      |
|                               | 2022                                    | 2021 | 2022   | 2021 |
|                               | No.                                     | No.  | No.  | No.  |
| Between £60,000 and £70,000   | 2                                       | 1    | 2  | 2    |
| Between £70,000 and £80,000   | -                                       | -    | -  | 1    |
| Between £80,000 and £90,000   | -                                       | 1    | -  | -    |
| Between £100,000 and £110,000 | 2                                       | 1    | 2  | 1    |
| Between £110,000 and £120,000 | -                                       | 1    | -  | 1    |
| Between £120,000 and £130,000 | 1                                       | -    | 1  | -    |
| Between £160,000 and £170,000 | -                                       | -    | -  | 1    |

None (2021 - none) of the above employees were accruing benefits under a defined benefit pension scheme and all five (2021 - six) were accruing benefits under a defined contribution scheme. Total pension contributions made in respect of these employees in the year totalled £74,796 (2021 - £80,882).

**Remuneration of key management personnel**

|   |                |                |
|---|----------------|----------------|
| The remuneration of key management personnel is as follows: | 2022           | 2021           |
|   | £              | £              |
| Aggregate remuneration                                      | <u>549,231</u> | <u>721,831</u> |

Included in the above values are termination and redundancy costs amounting to £nil (2021 - £102,489).

**MERCHISTON CASTLE SCHOOL****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 July 2022****5 Pension Costs**

The School participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

The School has no liability for other employers' obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme. The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the School is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate from 1 April 2021 is 23% of pensionable pay. The employee rate applied is variable and it is anticipated to provide an actuarial yield of 9.4% of pensionable pay.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy this discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Agency to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuation will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

The School's level of participation in the scheme is 0.09% based on the proportion of employer contributions paid in 2020-21. The pension charge in relation to the scheme represents contributions payable by the Company to the fund and amounted to £582,357 (2021 - £602,333).

**6 Other External Charges**

|  | 2022          | 2021          |
|--|---------------|---------------|
|  | £             | £             |
| This is stated after charging / (crediting): |               |               |
| Gain on sale of fixed assets                 | (10,412)      | -             |
| Depreciation                                 | 739,438       | 818,334       |
| Auditors' remuneration (company £11,350)     | <u>15,550</u> | <u>14,800</u> |

**7 Interest Payable and Similar Charges**

|   | 2022         | 2021         |
|---|--------------|--------------|
|   | £            | £            |
| Interest and charges on bank facilities | <u>4,105</u> | <u>3,337</u> |

**8 Taxation**

As a charity, Merchiston Castle School is exempt from tax on income and gains to the extent that these are applied to its charitable objects. No tax charges have arisen in the Charity. The wholly owned trading subsidiaries are subject to corporation tax. However, payments from the taxable income of the companies are made through the gift aid provisions.

## MERCHISTON CASTLE SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 July 2022

| 9. Analysis of Total Resources Expended<br>Group                               | Year ended 31 July 2022        |                          | 2022 Total<br>£                | Year ended 31 July 2021    |                          | 2021 Total<br>£   |
|--|--------------------------------|--------------------------|--------------------------------|----------------------------|--------------------------|-------------------|
|  | Unrestricted<br>funds<br>£     | Restricted<br>funds<br>£ |                                | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ |                   |
| Fundraising expenses   | 537                            | -                        | 537                            | 100,990                    | -                        | 100,990           |
| Trading – Merchiston Enterprises Limited &<br>Merchiston International Limited | 115,180                        | -                        | 115,180                        | 116,803                    | -                        | 116,803           |
| <b>Raising funds</b>   | <u>115,717</u>                 | <u>-</u>                 | <u>115,717</u>                 | <u>217,793</u>             | <u>-</u>                 | <u>217,793</u>    |
| Staff costs  | 5,727,429                      | -                        | 5,727,429                      | 5,908,909                  | -                        | 5,908,909         |
| Governance costs   | 15,550                         | -                        | 15,550                         | 14,800                     | -                        | 14,800            |
| Other costs  | 3,813,134                      | 4,143                    | 3,817,277                      | 3,057,031                  | 24,834                   | 3,081,865         |
| Depreciation   | 739,438                        | -                        | 739,438                        | 818,334                    | -                        | 818,334           |
| <b>Charitable activities</b>   | <u>10,295,551</u>              | <u>4,143</u>             | <u>10,299,694</u>              | <u>9,799,074</u>           | <u>24,834</u>            | <u>9,823,908</u>  |
| <b>Total expenditure</b>   | <u>10,411,268</u>              | <u>4,143</u>             | <u>10,415,411</u>              | <u>10,016,867</u>          | <u>24,834</u>            | <u>10,041,701</u> |
| <b>Company</b>   | <b>Year ended 31 July 2022</b> |                          | <b>Year ended 31 July 2021</b> |                            | <b>2021 Total</b>        |                   |
|  | Unrestricted<br>funds<br>£     | Restricted<br>funds<br>£ | 2022 Total<br>£                | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | 2021 Total<br>£   |
| Fundraising expenses   | 537                            | -                        | 537                            | 100,990                    | -                        | 100,990           |
| <b>Raising funds</b>   | <u>537</u>                     | <u>-</u>                 | <u>537</u>                     | <u>100,990</u>             | <u>-</u>                 | <u>100,990</u>    |
| Staff costs  | 5,727,429                      | -                        | 5,727,429                      | 5,908,909                  | -                        | 5,908,909         |
| Governance costs   | 15,550                         | -                        | 15,550                         | 14,800                     | -                        | 14,800            |
| Other costs  | 3,813,134                      | 4,143                    | 3,817,277                      | 3,057,031                  | 24,834                   | 3,081,865         |
| Depreciation   | 739,438                        | -                        | 739,438                        | 818,334                    | -                        | 818,334           |
| <b>Charitable activities</b>   | <u>10,295,551</u>              | <u>4,143</u>             | <u>10,299,694</u>              | <u>9,799,074</u>           | <u>24,834</u>            | <u>9,823,908</u>  |
| <b>Total expenditure</b>   | <u>10,296,088</u>              | <u>4,143</u>             | <u>10,300,231</u>              | <u>9,900,064</u>           | <u>24,834</u>            | <u>9,924,898</u>  |

**MERCHISTON CASTLE SCHOOL****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 July 2022****9 Analysis of Total Resources Expended (continued)**

|   | Staff<br>Costs<br>£ | Other<br>Costs<br>£ | Depreciation<br>£ | 2022<br>Total<br>£ | 2021<br>Total<br>£ |
|---|---------------------|---------------------|-------------------|--------------------|--------------------|
| <b>Raising funds:</b>                     |                     |                     |                   |                    |                    |
| Trading costs of subsidiaries             | 23,666              | 91,514              | -                 | 115,180            | 116,803            |
| Fundraising                               | (6,977)             | 7,514               | -                 | 537                | 100,990            |
| <b>Total for Group</b>                    | <u>16,689</u>       | <u>99,028</u>       | <u>-</u>          | <u>115,717</u>     | <u>217,793</u>     |
| <b>Charitable activities:</b>             |                     |                     |                   |                    |                    |
| Teaching                                  | 4,025,398           | 152,715             | -                 | 4,178,113          | 4,501,582          |
| Welfare                                   | 737,516             | 1,383,100           | -                 | 2,120,616          | 1,795,928          |
| Premises                                  | 331,521             | 1,495,451           | 739,438           | 2,566,410          | 2,380,140          |
| Support                                   | 632,994             | 786,011             | -                 | 1,419,005          | 1,131,458          |
| Governance costs                          | -                   | 15,550              | -                 | 15,550             | 14,800             |
| <b>Total for Group</b>                    | <u>5,727,429</u>    | <u>3,832,827</u>    | <u>739,438</u>    | <u>10,299,694</u>  | <u>9,823,908</u>   |
| <b>Total Resources Expended - Group</b>   | <u>5,744,118</u>    | <u>3,931,855</u>    | <u>739,438</u>    | <u>10,415,411</u>  | <u>10,041,701</u>  |
| <b>Total Resources Expended - Charity</b> | <u>5,720,452</u>    | <u>3,840,341</u>    | <u>739,438</u>    | <u>10,300,231</u>  | <u>9,924,898</u>   |

The difference between the total resources expended by the group and total resources expended by the charity relates solely to the trading costs of the charity's subsidiaries.

## MERCHISTON CASTLE SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 July 2022

#### 9 Analysis of Total Resources Expended (continued)

|   | Staff<br>Costs<br>£ | Other<br>Costs<br>£ | Depreciation<br>£ | 2021<br>Total<br>£ | 2020<br>Total<br>£ |
|---|---------------------|---------------------|-------------------|--------------------|--------------------|
| <b>Raising funds:</b>                     |                     |                     |                   |                    |                    |
| Trading costs of subsidiaries             | 20,518              | 96,285              | -                 | 116,803            | 158,784            |
| Fundraising                               | 96,474              | 4,516               | -                 | 100,990            | 139,647            |
| <b>Total for Group</b>                    | <u>116,992</u>      | <u>100,801</u>      | <u>-</u>          | <u>217,793</u>     | <u>298,431</u>     |
| <b>Charitable activities:</b>             |                     |                     |                   |                    |                    |
| Teaching                                  | 4,402,911           | 98,671              | -                 | 4,501,582          | 4,884,095          |
| Welfare                                   | 711,870             | 1,084,058           | -                 | 1,795,928          | 1,747,529          |
| Premises                                  | 336,319             | 1,225,487           | 818,334           | 2,380,140          | 2,374,817          |
| Support                                   | 457,809             | 673,649             | -                 | 1,131,458          | 1,386,748          |
| Governance costs                          | -                   | 14,800              | -                 | 14,800             | 14,600             |
| <b>Total for Group</b>                    | <u>5,908,909</u>    | <u>3,096,665</u>    | <u>818,334</u>    | <u>9,823,908</u>   | <u>10,407,789</u>  |
| <b>Total Resources Expended - Group</b>   | <u>6,025,901</u>    | <u>3,197,466</u>    | <u>818,334</u>    | <u>10,041,701</u>  | <u>10,706,220</u>  |
| <b>Total Resources Expended - Charity</b> | <u>6,005,383</u>    | <u>3,101,181</u>    | <u>818,334</u>    | <u>9,924,898</u>   | <u>10,547,436</u>  |

The difference between the total resources expended by the group and total resources expended by the charity relates solely to the trading costs of the charity's subsidiaries.

#### 10 Analysis of Investment Gains and Losses

|   | 2022<br>£       | 2021<br>£      |
|---|-----------------|----------------|
| <b>Fair value gains / (losses) on financial instruments</b> |                 |                |
| Change in value of financial assets held at fair value      | (36,292)        | 204,688        |
| Realised loss on disposal of financial assets               | (2,500)         | -              |
|   | <u>(38,792)</u> | <u>204,688</u> |
| Equalisations   | <u>1,622</u>    | <u>-</u>       |
|   | <u>(37,170)</u> | <u>204,688</u> |

All investment gains and losses recognised in the current and prior year have arisen within unrestricted funds.

## MERCHISTON CASTLE SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2022

#### 11 Tangible Fixed Assets

##### Group

|                       | Freehold<br>Land and<br>Buildings<br>£ | Assets Under<br>Construction<br>£ | Property<br>Improve-<br>ments<br>£ | Furniture<br>and<br>Equipment<br>£ | Plant,<br>Machinery<br>and Motor<br>Vehicles<br>£ | Total<br>£        |
|-----------------------|--|-----------------------------------|------------------------------------|------------------------------------|---|-------------------|
| <b>Cost</b>           |  |                                   |                                    |                                    |   |                   |
| At 31 July 2021       | 15,283,459                             | 732                               | 4,208,881                          | 1,861,252                          | 839,744   | 22,194,068        |
| Additions             | 47,067                                 | 81,969                            | -                                  | 62,947                             | 56,919  | 248,902           |
| Disposals             | -                                      | -                                 | -                                  | -                                  | (87,936)  | (87,936)          |
| At 31 July 2022       | <u>15,330,526</u>                      | <u>82,701</u>                     | <u>4,208,881</u>                   | <u>1,924,199</u>                   | <u>808,727</u>                                    | <u>22,355,034</u> |
| <b>Depreciation</b>   |  |                                   |                                    |                                    |   |                   |
| At 31 July 2021       | 3,664,150                              | -                                 | 2,883,784                          | 1,688,628                          | 683,241   | 8,919,803         |
| Charge for year       | 394,075                                | -                                 | 187,835                            | 102,062                            | 55,466  | 739,438           |
| Released on disposal  | -                                      | -                                 | -                                  | -                                  | (65,738)  | (65,738)          |
| At 31 July 2022       | <u>4,058,225</u>                       | <u>-</u>                          | <u>3,071,619</u>                   | <u>1,790,690</u>                   | <u>672,969</u>                                    | <u>9,593,503</u>  |
| <b>Net Book Value</b> |  |                                   |                                    |                                    |   |                   |
| At 31 July 2022       | <u>11,272,301</u>                      | <u>82,701</u>                     | <u>1,137,262</u>                   | <u>133,509</u>                     | <u>135,758</u>                                    | <u>12,761,531</u> |
| At 31 July 2021       | <u>11,619,309</u>                      | <u>732</u>                        | <u>1,325,097</u>                   | <u>172,624</u>                     | <u>156,503</u>                                    | <u>13,274,265</u> |
| <b>Company</b>        |  |                                   |                                    |                                    |   |                   |
|                       | Freehold<br>Land and<br>Buildings<br>£ | Assets Under<br>Construction<br>£ | Property<br>Improve-<br>ments<br>£ | Furniture<br>and<br>Equipment<br>£ | Plant,<br>Machinery<br>and Motor<br>Vehicles<br>£ | Total<br>£        |
| <b>Cost</b>           |  |                                   |                                    |                                    |   |                   |
| At 31 July 2021       | 15,372,027                             | 732                               | 4,208,881                          | 1,856,773                          | 839,744   | 22,278,157        |
| Additions             | 47,067                                 | 81,969                            | -                                  | 62,947                             | 56,919  | 248,902           |
| Disposals             | -                                      | -                                 | -                                  | -                                  | (87,936)  | (87,936)          |
| At 31 July 2022       | <u>15,419,094</u>                      | <u>82,701</u>                     | <u>4,208,881</u>                   | <u>1,919,720</u>                   | <u>808,727</u>                                    | <u>22,439,123</u> |
| <b>Depreciation</b>   |  |                                   |                                    |                                    |   |                   |
| At 31 July 2021       | 3,664,150                              | -                                 | 2,883,784                          | 1,684,149                          | 683,241   | 8,915,324         |
| Charge for year       | 394,075                                | -                                 | 187,835                            | 102,062                            | 55,466  | 739,438           |
| Released on disposal  | -                                      | -                                 | -                                  | -                                  | (65,738)  | (65,738)          |
| At 31 July 2022       | <u>4,058,225</u>                       | <u>-</u>                          | <u>3,071,619</u>                   | <u>1,786,211</u>                   | <u>672,969</u>                                    | <u>9,589,024</u>  |
| <b>Net Book Value</b> |  |                                   |                                    |                                    |   |                   |
| At 31 July 2022       | <u>11,360,869</u>                      | <u>82,701</u>                     | <u>1,137,262</u>                   | <u>133,509</u>                     | <u>135,758</u>                                    | <u>12,850,099</u> |
| At 31 July 2021       | <u>11,707,877</u>                      | <u>732</u>                        | <u>1,325,097</u>                   | <u>172,624</u>                     | <u>156,503</u>                                    | <u>13,362,833</u> |

**MERCHISTON CASTLE SCHOOL****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 July 2022****12 Investments Held as Fixed Assets**

|                         | UK<br>Listed<br>£ | Cash for<br>Investment<br>£ | Group<br>Total<br>£ | Investment<br>in subsidiary<br>£ | Company<br>Total<br>£ |
|-------------------------|-------------------|-----------------------------|---------------------|----------------------------------|-----------------------|
| Balance at 31 July 2021 | 700,928           | -                           | 700,928             | 1                                | 700,929               |
| Additions               | 62,314            | -                           | 62,314              | -                                | 62,314                |
| Disposals               | (59,023)          | -                           | (59,023)            | -                                | (59,023)              |
| Loss on revaluation     | (38,792)          | -                           | (38,792)            | -                                | (38,792)              |
| Balance at 31 July 2022 | <u>665,427</u>    | <u>-</u>                    | <u>665,427</u>      | <u>1</u>                         | <u>665,428</u>        |
| Historical cost         | <u>419,724</u>    | <u>-</u>                    | <u>419,724</u>      | <u>1</u>                         | <u>419,725</u>        |

Investments whose individual market value exceeds 5% of the total are as follows:

|   |         |
|---|---------|
| Securities Trust of Scotland                        | £40,356 |
| Scottish Mortgage Trust                             | £59,478 |
| Finsbury Growth Income Trust                        | £34,515 |
| Scottish American Investment Co.                    | £47,880 |
| Henderson International Income Trust                | £49,384 |
| Murray Income Trust PLC                             | £48,012 |
| Murray International Trust                          | £33,976 |
| Pacific Assets Trust                                | £42,250 |
| Royal London Asset Management Global Alliance Trust | £44,920 |
|   | £36,488 |

**13 Subsidiaries**

Details of the company's subsidiaries at 31 July 2022 are as follows:

| Name                             | Type                         | Registered<br>Office Key | Class of<br>Share<br>Held | %<br>Ownership | Net Assets<br>(£) |
|----------------------------------|------------------------------|--------------------------|---------------------------|----------------|-------------------|
| Merchiston Enterprises Limited   | Company limited by guarantee | 1                        | N/A                       | 100            | 34,118            |
| Merchiston International Limited | Company limited by shares    | 1                        | Ordinary                  | 100            | 1,286             |

**Registered office addresses:**

1. Merchiston Castle School, 294 Colinton Road, Edinburgh, EH13 0PU

**MERCHISTON CASTLE SCHOOL****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 July 2022**

|    |   |                    |                    |                      |                      |
|----|---|--------------------|--------------------|----------------------|----------------------|
| 14 | <b>Stock</b>  | 2022<br>Group<br>£ | 2021<br>Group<br>£ | 2022<br>Company<br>£ | 2021<br>Company<br>£ |
|    | Stock   | 123,478            | 127,354            | 33,256               | 25,754               |
|    |   | <u>123,478</u>     | <u>127,354</u>     | <u>33,256</u>        | <u>25,754</u>        |
| 15 | <b>Debtors</b>  | 2022<br>Group<br>£ | 2021<br>Group<br>£ | 2022<br>Company<br>£ | 2021<br>Company<br>£ |
|    | Fees and outlays in arrears                           | 152,493            | 138,050            | 152,493              | 138,050              |
|    | Prepayments and accrued income                        | 316,451            | 162,863            | 316,451              | 162,863              |
|    | Amounts due from associated companies                 | -                  | -                  | 604,308              | 379,230              |
|    | Other debtors   | 4,229              | 51,926             | 1,034                | 1,042                |
|    |   | <u>473,173</u>     | <u>352,839</u>     | <u>1,074,286</u>     | <u>681,185</u>       |
| 16 | <b>Creditors: Amounts falling due within one year</b> | 2022<br>Group<br>£ | 2021<br>Group<br>£ | 2022<br>Company<br>£ | 2021<br>Company<br>£ |
|    | Trade creditors                                       | 341,413            | 55,290             | 341,413              | 55,290               |
|    | Taxes and social security costs                       | 143                | 183                | -                    | -                    |
|    | Other creditors                                       | 129,884            | 167,609            | 124,071              | 161,185              |
|    | Amounts due to associated companies                   | 7,904              | 13,560             | 7,904                | 13,560               |
|    | Fees in advance                                       | 1,093,010          | 920,623            | 1,093,010            | 920,623              |
|    | Accruals and deferred income                          | 410,256            | 425,250            | 398,312              | 420,221              |
|    |   | <u>1,982,610</u>   | <u>1,582,515</u>   | <u>1,964,710</u>     | <u>1,570,879</u>     |

Bank of Scotland plc holds a bond and floating charge over the assets of the company.

Fees paid in advance are as follows:

|                                       |                                |                       |
|---------------------------------------|--------------------------------|-----------------------|
|                                       | 2022<br>Group and Company<br>£ | 2021<br>Company<br>£  |
| Balance as at 31 July 2021            | 920,623                        | 714,175               |
| Amount released to incoming resources | (920,623)                      | (714,175)             |
| Amount deferred in the year           | <u>1,093,010</u>               | <u>920,623</u>        |
| Balance as at 31 July 2022            | <u><u>1,093,010</u></u>        | <u><u>920,623</u></u> |

**MERCHISTON CASTLE SCHOOL****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 July 2022**17 **Creditors:** Amounts falling due after more than one year

|                 | 2022<br>Group and Company<br>£ | 2021<br>Group and Company<br>£ |
|-----------------|--------------------------------|--------------------------------|
| Other creditors | <u>719,625</u>                 | <u>729,353</u>                 |
|                 | <u>719,625</u>                 | <u>729,353</u>                 |

Amounts included in other creditors above which fall due after five years are as follows:

|                                   |          |              |
|-----------------------------------|----------|--------------|
| Payable other than by instalments | <u>-</u> | <u>4,000</u> |
|-----------------------------------|----------|--------------|

18 **Capital and Reserves**

| <b>Group</b>                     | Unrestricted<br>Reserves<br>£ | Revaluation<br>Reserve<br>£ | Restricted<br>Reserves<br>£ | Total<br>Reserves<br>£ |
|----------------------------------|-------------------------------|-----------------------------|-----------------------------|------------------------|
| Balance as at 31 July 2021       | 16,603,341                    | 339,252                     | 1,051,902                   | 17,994,495             |
| Surplus / (deficit) for the year | 732,818                       | (37,170)                    | 1,768                       | 697,416                |
| Transfers                        | 94,953                        | -                           | (94,953)                    | -                      |
|                                  | <u>17,431,112</u>             | <u>302,082</u>              | <u>958,717</u>              | <u>18,691,911</u>      |
| Balance as at 31 July 2022       | <u>17,431,112</u>             | <u>302,082</u>              | <u>958,717</u>              | <u>18,691,911</u>      |
| <b>Company</b>                   | Unrestricted<br>Reserves<br>£ | Revaluation<br>Reserve<br>£ | Restricted<br>Reserves<br>£ | Total<br>Reserves<br>£ |
| Balance as at 31 July 2021       | 16,657,200                    | 339,252                     | 1,051,902                   | 18,048,354             |
| Surplus / (deficit) for the year | 732,210                       | (37,170)                    | 1,768                       | 696,808                |
| Transfers                        | 94,953                        | -                           | (94,953)                    | -                      |
|                                  | <u>17,484,363</u>             | <u>302,082</u>              | <u>958,717</u>              | <u>18,745,162</u>      |
| Balance as at 31 July 2022       | <u>17,484,363</u>             | <u>302,082</u>              | <u>958,717</u>              | <u>18,745,162</u>      |

**MERCHISTON CASTLE SCHOOL****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 July 2022****19 Analysis of Group Net Assets between Funds**

The restricted fund balance represented by current assets at 31 July 2022 was £958,717 (2021 - £1,051,902). Unrestricted funds are free to be used in accordance with the charitable objectives of the School. Restricted funds represent those assets which have been historically held to fund bursaries and the donation income received for the planning and construction of the new sport and leisure facilities. The transfer in the current year from restricted reserves to unrestricted reserves was £94,953 (2021 - £108,509).

Sufficient resources are held in an appropriate form to enable all funds to be applied in accordance with the restrictions imposed on them.

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| <b>20 Capital Commitments</b>        | 2022<br>£ | 2021<br>£ |
| Amount authorised and contracted for | 66,605    | -         |

**21 Operating lease commitments**

At the reporting date the company has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|                            |           |           |
|----------------------------|-----------|-----------|
|                            | 2022<br>£ | 2021<br>£ |
| Within one year            | 6,192     | 6,192     |
| Between two and five years | 516       | 7,224     |
|                            | 6,708     | 13,416    |

**MERCHISTON CASTLE SCHOOL****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 July 2022****22 Related Party Transactions**

The charitable company has a connected undertaking, Merchiston Enterprises Limited (a company limited by guarantee) which utilises the facilities owned by the School (at an agreed rental) for letting and promotional events to benefit the School. During the year, Merchiston Enterprises Limited was charged rent of £100 (2021 - £100) for use of the facilities and made a distribution under gift aid to the School of £22,000 (2021 - £22,000) which is treated as a distribution from reserves. During the year, Merchiston Enterprises Limited was recharged £23,666 (2021 - £20,388) in relation to staff wages. The amount due to the school by Merchiston Enterprises Limited at 31 July 2022 was £205,614 (2021 - £134,571).

The charitable company also holds an investment in another subsidiary, Merchiston International Limited (a company limited by shares) which promotes the Merchiston ethos and education overseas. During the year, a distribution under gift aid of £152,000 (2021 - £85,000) was received. The amount due by Merchiston International Limited to the School at 31 July 2022 was £398,694 (2021 - £244,658).

The Governors received no remuneration during the year (2021 - £nil) and no reimbursement of travel and subsistence expenses (2021 - £none). Where any of the Governors are parents of pupils at the School they have arms length transactions in relation to payment of school fees.

During the year the School recharged wages of £12,501 (2021 - £8,334) to Merchistonian Club, a Club of which a Governor of the School is also a member of the Club's committee. The amount owed by the School to Merchistonian Club at 31 July 2022 was £7,904 (2021 - £13,560).

**23 Control**

In the opinion of the Governors there is no controlling party.